

CHINA¹

MINIMUM WAGE

In compliance with the 1995 China's Labor Law, all provinces, autonomous regions and municipalities set a minimum wage for each state enterprise under their jurisdiction. Thus, minimum wage rates vary across provinces, with different rates for urban and rural areas. The wage is set following consultations with local Ministry of Labor and Social Security officials, representatives of local enterprises, and trade unions. Factors considered include: 1) minimum standard of living; 2) average local salary; 3) enterprise productivity; 4) unemployment and lay-off rate; and 5) the level of local economic development. The proposed wage is submitted to the provincial government for approval and subsequently recorded by the State Council. The wage may be adjusted no more than once a year.

In 1995, the minimum wage in Beijing was 240 yuan (¥), about 29 U.S. dollars (US\$), per month; in Zhuhai, it was ¥380 (US\$46) per month. In poorer, rural areas, minimum-wage levels were as low as ¥120 (US\$14) per month.² In December 1996, the minimum wage in Beijing was raised to ¥270 (US\$32.50) per month; in Shenzhen's and Zhuhai's Special Economic Zones, it was ¥398 (US\$48) per month; in rural areas, it remained as low as ¥120 (US\$14) per month.³

In 1997, the minimum wage in Beijing was ¥270 (US\$32.50) per month; in Shenzhen's and Zhuhai's Special Economic Zones, it was ¥240 (US\$29) per month; for other parts of Guangdong province, the rate was ¥320 (US\$39) per month. In Hebei province, the minimum wage was ¥140 (US\$17) per month in urban areas, and ¥100 (US\$12) per month in rural areas. In Jiangsu province, the minimum wage was ¥280 (US\$34) for urban areas and ¥210 (US\$25) for all rural areas.⁴ Minimum-wage figures do not include free or heavily subsidized benefits which some state-sector employers may provide in kind, such as housing, medical care, and education.

The government reduced the national standard workweek in 1995 from 44 hours to 40 hours, excluding

¹ Unless noted otherwise, information presented here is from American Embassy—Beijing, unclassified telegram No. 1978 (March 4, 1999).

² U.S. Department of State, *Country Reports on Human Rights Practices for 1995* (Washington: U.S. Government Printing Office, April 1996), p. 593.

³ U.S. Department of State, *Country Reports on Human Rights Practices for 1996* (Washington: U.S. Government Printing Office, February 1997), p. 639.

⁴ U.S. Department of State, *Country Reports on Human Rights Practices for 1997* (Washington: U.S. Government Printing Office, March 1998), p. 738.

overtime. The Labor Law mandates a weekly 24-hour rest period and does not allow overtime in excess of 3 hours a day or 36 hours a month. It also sets forth a required scale of remuneration for overtime work.⁵

PREVAILING OR AVERAGE WAGE

For non-state businesses—private, joint ventures, and foreign funded—the salary is decided in collective consultation with representatives from the enterprise, local workers' congress, and trade union. The salary may not be lower than what has been set for state-owned enterprises in the area. The wage in both state and non-state enterprises may be adjusted no more than once a year.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in China for all employees in the manufacturing sector and average monthly occupational wages for female and male sewing machine operators in apparel manufacturing and machine sewers in footwear manufacturing. Earnings data for the manufacturing sector include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.⁶ Wages in the apparel and footwear occupations include basic wages and cost of living allowances, but exclude overtime pay, bonuses, family allowances, in-kind supplements, and payments for social security. Average monthly hours worked by production workers in manufacturing were 157.1 for the years 1991 through 1997.⁷ No data were available from the ILO for average monthly hours worked by production workers in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

⁵ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 870.

⁶ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

⁷ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 743.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel ^a				Footwear ^b				Real Earnings Index (¥; 1990=100)				
	All Workers		Female Workers		Male Workers		Female Workers		Male Workers		Manuf.		Apparel		Footwear
	(¥)	(US\$)	(¥)	(US\$)	(¥)	(US\$)	(¥)	(US\$)	(¥)	(US\$)	All Workers	Female Workers	Male Workers	Female Workers	Male Workers
1990	172.25	86.13	170.4	85.20	206.6	103.30	181.9	90.95	191.4	95.70	100	100	100	100	100
1991	190.75	57.24	186.4	55.94	268.7	80.64	228.8	68.66	338.0	101.43	93	91	109	105	148
1992	219.58	65.77	153.9	46.10	163.0	48.82	173.4	51.94	121.1	36.27	94	66	58	70	46
1993	279.00	82.75	241.1	71.50	264.6	78.47	353.3	104.78	na	na	106	93	84	127	na
1994	356.92	105.26	410.3	121.00	251.0	74.02	203.9	60.13	200.7	59.19	126	146	74	68	64
1995	430.75	127.06	444.6	131.15	na	na	277.4	81.83	na	na	131	137	na	80	na
1996	470.17	138.78	684.5	202.04	na	na	350.7	103.51	385.0	113.64	133	196	na	94	98
1997	494.42	145.93	647.0	190.97	na	na	388.5	114.67	533.9	157.59	134	177	na	100	130

Note: a = sewing machine operator—manufacture of wearing apparel; b = shoe sewer (machine)—manufacture of footwear. na = not available. The number of cities covered for monthly earnings in apparel and footwear varies from year to year.

Source: All manufacturing from ILO, *Yearbook of Labour Statistics*, 1998, p. 902; apparel and footwear from ILO, *Statistics on Occupational Wages and Hours of Work and on Food Prices, October Inquiry Results*, Special [Annual] Supplement to the *Bulletin of Labour Statistics*, various years.

NON-WAGE BENEFITS

According to government regulations, all enterprises must provide their workers with: 1) paid annual leave for government holidays, marriage, and death in the family; 2) monetary subsidies to reduce the cost of living for expenditures on items such as heating, grain, and health care; 3) “collective welfare facilities” such as canteens, nursery schools, barber shops, health clinics, and dormitories for singles; and 4) cultural and recreational benefits such as libraries, gymnasiums, etc. In some provinces, state-owned enterprises are now no longer required to provide certain social services (such as schooling) that formerly were provided to workers and their families. There are no tax credits targeted specifically for apparel workers.

A U.S. Social Security Administration survey⁸ elaborates on several non-wage benefit programs in China: (1) old age, disability, and death benefits, begun in 1951, are provided by local governments or through an employer-provided plan with the insured persons paying basic pension insurance up to 3-5 percent of their earnings base and for individual retirement accounts 3-8 percent of earnings, employers pay basic pension insurance averaging 20 percent of payroll and for individual retirement accounts up to 11 percent of payroll, and local governments pay subsidies as needed; (2) sickness and maternity benefits, initially provided for in 1951, are separate employer-provided programs based on central government guidelines with insured persons paying up to 1 percent of earnings, employers paying an average of 10 percent of payroll, and central and local governments contributing subsidies as needed; (3) work injury benefits, also begun in 1951, are separate employer -provided programs based on central government guidelines for which the employer pays the whole cost, with central and local governments contributing subsidies as needed; and (4) unemployment insurance, which began to be offered in 1986, is a provincial city/county social system based on central government guidelines where the employer pays up to 2 percent of wages and workers contribute up to 1 percent of their wages, depending upon local government provisions.

⁸ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 78-80. See also, Anne Stevenson-Yang and Steven Shi, *Weaving a Social Safety Net: Labor Developments in China, 1996-1998* (Washington: The U.S.-China Business Council, February 1999), for more detailed discussion of provincial and local benefits programs in China.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The central government has set the poverty line at a per capita annual income of ¥500 (US\$60). The purchasing power of ¥500 is estimated to be about US\$1,201 with even greater purchasing power in rural areas. It must be noted that currently the government publicly maintains that there is no urban poverty.

As of the end of 1998, city and provincial governments (with input from local representatives of the Ministries of Finance, Labor and Social Security, Civil Affairs, and the All China Federation of Trade Unions) have established a minimum standard of living for 536 of China's 660 urban areas. It is expected that such standards for all areas will be set by no later than the middle of 1999. This standard, which varies from city to city, takes into account local conditions such as available subsidies for food, housing, health care and schooling, as well as the local retail price index. For example, in Beijing the minimum living standard is ¥200 (US\$24) per month per family member. In contrast, Hangzhou in Zhejiang province, has set a standard of ¥165 (US\$20) per month per family member. In September 1999, the central government raised the minimum living standard nationwide by 30 percent.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization⁹ reports several sets of measures of a national poverty line for China:

! For 1981, 24.3 percent of the rural Chinese population was below the rural poverty line of ¥158 per capita per year and 1.9 percent of the urban population was below the urban poverty line of ¥171 per capita per year, with a national poverty line of ¥161 per capita per year and a national poverty rate of 19.8 percent; and

for 1990, 11.5 percent of the rural population was below the rural poverty line of ¥275 and 0.4 percent of the urban population was below the urban poverty line of ¥321 per capita per year, with a national poverty line of ¥287 per capita per year and a national poverty rate of 8.6 percent.

The poverty line is defined as the expenditure level below which basic needs (including a subsistence diet which provides 2,150 calories per capita per day) cannot be satisfied.¹⁰

⁹ Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 26-28.

¹⁰ The estimates are referenced as originating from the World Bank, *China: Strategies for Reducing Poverty in the 1990s*, Report No. 10409-CHA (Washington: World Bank, 1992), pp. 146-147. The estimates are based on annual household surveys conducted by the State Statistical Bureau (SSB). The food component of the subsistence basket includes modest quantities of vegetable oil, vegetables, pork, and eggs, plus a little more than 0.5 kilograms of grain per day. Grain foods supply 90 percent and non-grain foods supply 10 percent of the subsistence diet of 2,150 calories per capita per day. For the urban poverty line, the actual prices paid by the low-income urban population have been imputed in most cases from the SSB survey data. For the rural poverty line, the State plan prices of grain are used. While the plan prices are lower than the prices actually paid, this is compensated for by the fact that the survey data tend to considerably underestimate actual rural income. Non-food subsistence goods are accounted for by inflating food costs

! for 1990, 13.5 percent of the Chinese population was below the poverty line of US\$30.42 per capita per month (i.e., US\$1 per day) in 1985 purchasing power parity adjusted US\$.¹¹

The World Bank reports¹² that, in 1996, 6.0 percent of the Chinese population was below the national poverty line, with less than 2 percent of the urban population and 7.9 percent of the rural population living under the national poverty line; comparable figures for 1994 were 8.4, less than 2, and 11.8 percent, respectively. In terms of international poverty line, the World Bank reports that 57.8 percent of the Chinese population was below the international standard of US\$2 per person per day and 22.2 percent was below the standard of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in China meet workers' basic needs. The U.S. Embassy reports that the Chinese Ministry of Labor and Social Security sets the minimum wage level higher than the local poverty relief ceiling, but lower than the current wage level of the average worker.¹³ Although there have been a number of articles in the Chinese press about the minimum standard of living, the U.S. Embassy is aware of no formal published studies on the living wage.

by the reciprocal of food's estimated budget share for low-income households. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 147

¹¹ The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

¹² World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 66.

¹³ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 870.